



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	SB0043	Title:	Revise list of countries considered tax haven
Primary Sponsor:	Kaufmann, Christine	Status:	As Introduced

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|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact:

No fiscal impact.

FISCAL ANALYSIS

Assumptions:

1. Montana requires corporations that have common ownership and that are part of a common line of business to file a combined report. The income of members of such a combined or "unitary" group is apportioned to Montana based on the income and apportionment factors of the group. This makes the income apportioned to Montana independent of financial arrangements between group members, such as ownership relationships between companies or units or the pricing of inter-company sales.
2. The normal corporate license tax rate is 6.75%. This rate is applied to the share of a corporation's worldwide income that is apportioned to Montana and its Montana source income. A corporation has the option to have only its United States income included in the apportionment process but then pays a higher rate of 7%.
3. This is called a "water's edge" election. When a corporation that is part of a unitary group makes a water's-edge election, some of its foreign affiliates may be excluded from the apportionment process.
4. However, under current law, the income and apportionment factors of any member of an affiliated group of corporations that is incorporated in a tax haven must be included in the combined report. Based upon

Department of Revenue research of the issue, this bill updates the current list of tax havens by adding five countries and removing three countries.

5. This bill would apply to tax years beginning after December 31, 2008 and is effective immediately on passage.
6. This bill has no fiscal impact to the state.

Sponsor's Initials

Date

Budget Director's Initials

Date